

Message Text

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ACTION OPIC-12

INFO OCT-01 EA-11 ISO-00 EB-11 AID-20 CIAE-00 INR-10

NSAE-00 L-03 /068 W

----- 011987

P 161036Z NOV 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 9612

UNCLAS JAKARTA 13523

FOR OPIC ATTN CHARLES LIPMAN

EO 11652: N/A

TAGS: EFIN, ID

SUBJ: COCONUT AND DARALON PROJECTS

REF: STATE 219416 B. STATE 221059 C. LIPMAN/CASHIN LETTER OCT 19
D. STATE 205382 E. JAKARTA 13112 F. STATE 225309

1. PURSUANT TO DELEGATION CONTAINED IN REF A, USAID
DIRECTOR CASHIN HAS EXECUTED FIDUCIARY TRANSFER AGREEMENT
IN COCONUT PROJECT ON BEHALF OF OPIC.

2. DOUBTS HERE OVER WHO WAS TO NEGOTIATE DARALON
DOCUMENTS NOT RESOLVED UNTIL NOV 15 WHEN REF C RECEIVED.
REF C SENT BY POUCH OCT 19 AND NOT RECEIVED UNTIL
NOV 15. IT CONTAINED REQUEST THAT USAID NEGOTIATE
DOCUMENTS. REFS A AND B SENT BY OPIC AFTER REF C,
BUT RECEIVED BY USAID BEFORE REF C, CONTAINED NO REQUEST
RE NEGOTIATING DOCUMENTS BUT ONLY THAT USAID SIGN FOR
OPIC. USAID ASSUMED THAT NEGOTIATIONS WERE TO BE COM-
PLETED BY OPIC LOCAL COUNSEL M K & K.

3. HERRON OF M, K&K HAS SENT USAID COPY OF MEMO TO FILE ON
DARALON DATED NOV 1 WHICH INDICATES ED SMITH OF USAID
HAD TOLD HERRON USAID WOULD BE NEGOTIATING DARALON FOR
OPIC. THIS REPRESENTS MISUNDERSTANDING ON HERRON'S
PART AS USAID HAD NOT RECEIVED REQUEST TO NEGOTIATE FOR
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OPIC UNTIL NOV 15 AND SMITH DEFINATELY DID NOT OFFER TO DO

SO. SMITH DID CONTACT BNI AS REQUESTED BY OPIC IN REF D AND WAS INFORMED THAT BNI HAD NOT RECEIVED DARALON FORECLOSURE AGREEMENT UNTIL OCT 31, AS REPORTED IN REF E. IN CONVERSATIONS WITH BNI BOTH SMITH AND BNI ASSUMED M, K& K WAS STILL HANDLING NEGOTIATIONS ON BEHALF OF OPIC.

4. USIAD WAS GIVEN COPY OF DARALON FORECLOSURE AGREEMENT BY M, K&K IN LAST WEEK OF OCT. BUT DESPITE SEVERAL REQUESTS HAS NOT YET BEEN GIVEN COPY OF THE DARALON SECURITY AGREEMENT.

5. USAID LEGAL ADVISOR CLARK WAS INFORMED EARLIER THIS WEEK BY HERRON THAT M, K&K WAS COMPLETING NEGOTIATION OF DARALON AGREEMENTS PURSUANT TO RECENT INSTRUCTIONS FROM OPIC AND SIGNING WAS PLANNED FOR NOV 15. HOWEVER, ON MORNING OF NOV 15 HERRON ADVISED CLARK THAT BNI HAD NOT YET AGREED TO ACT AS AGENT AND THAT SIGNING WOULD MOST LIKELY BE POSTPONED.

6. RE REF F PARA 1 AT THIS LATE DATE USAID BELIEVES IT IN OPIC BEST INTERESTS TO LEAVE FINAL NEGOTIATIONS OF DARALON TO M, K& K WITH SIGNING FOR OPIC BY MISSION DIRECTOR CASHIN AFTER DOCUMENTS HAVE BEEN APPROVED BY M, K&K AND GIVEN TO USAID FOR REVIEW. USAID UNWILLING TO ACT FOR OPIC IN DARALON OR ANY OTHER PROJECT UNLESS USAID HAS OPPORTUNITY TO FULLY FAMILIRIZE ITSELF WITH PROJECT AND TRANSACTIONS INVOLVED IN ORDER ASSURE THAT OPIC INTERESTS PROTECTED.

7. FYI HUDSPETH CALLED MISSION ON NOV 15 TO DESCRIBE FINANCIAL PROBLEMS FACED BY DARALON ALLEGEDLY AS RESULT OF FAILURE OPIC AUTHORIZE DRAWDOWN SCHEDULED THAT DATE. ACCORDING HUDSPETH, PROJECT OUT OF WORKING CAPITAL AND WILL BE FORCED TO CANCEL CONTRACTS WITH SUPPLIERS IF DRAWDOWN NOT EFFECTED WITHIN NEXT FEW DAYS. HUDSPETH CLAIMED HE GAVE NOTICE TO OPIC THIRTY DAYS AGO THAT DRAWDOWN DESIRED 15 NOV, BUT WAS NOT INFORMED THAT PROBLEMS EXISTED UNTIL NOV 14. HE ALSO CALIMED THAT OPIC ONLY LENDER UNCLASSIFIED

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UNWILLING TO GO ALONG WITH DRAWDOWN UNTIL FORECLOSURE AGREEMENT SIGNED. MISSION SUGGESTED THAT HUDSPETH GET IN TOUCH WITH BNI TO DETERMINE STATUS OF NEGOTIATIONS. END FYI.

8. IF USAID ASSISTANCE DESIRED IN ANY FUTURE TRANSACTIONS, PLEASE GIVE AS MUCH ADVANCE NOTICE AS POSSIBLE AND SEND DOCUMENTS AIR MAIL VIA APO RATHER THAN POUCH TOASSURE

MORE TIMELY RECEIPT.

9. RE TERMS OF REDELEGATIONS OF AUTHORITY, USAID SUGGESTS
THAT IT BE LEFT UNCHANGED FOR IYCONUT AND DARALON BUT
THAT ANY FUTURE REDELEGATIONS BE GIVEN TO DIRECTOR CASHIN
AND TO DEPUTY DIRECTOR KENNETH M KAUFFMAN OR ANYONE
SERVING IN DIRECTOR OR DEPUTY POSITIONS IN ACTING CAPACITY
AND TO LEGAL ADVISOR WILLIAM A CLARK.
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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Draft Date: 16 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973JAKART13523
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
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